

AMENDED IN ASSEMBLY AUGUST 2, 2010

AMENDED IN ASSEMBLY JUNE 23, 2010

AMENDED IN SENATE MAY 27, 2010

AMENDED IN SENATE APRIL 28, 2010

AMENDED IN SENATE APRIL 8, 2010

AMENDED IN SENATE MARCH 22, 2010

## SENATE BILL

**No. 1146**

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**Introduced by Senator Florez**

(Principal coauthor: Assembly Member Fuentes)

**(Coauthor: Senator Correa)**

*(Coauthor: Assembly Member Torres)*

February 18, 2010

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An act to amend Sections 22165 and 22166 of, and to add and repeal Article 3.5 (commencing with Section 22348) of Chapter 2 of Division 9 of, the Financial Code, relating to finance lenders.

LEGISLATIVE COUNSEL'S DIGEST

SB 1146, as amended, Florez. Finance lenders.

Existing law, the California Finance Lenders Law, provides for the licensure and regulation of finance lenders and brokers by the Commissioner of Corporations and makes a willful violation of its provisions a crime. Existing law regulates the charges a licensee may impose or receive on loans it makes and authorizes a licensee to contract for and receive specified alternative charges and administrative and delinquency fees.

This bill, until January 1, 2015, would establish the Pilot Program for Affordable Credit-Building Opportunities for the purpose of increasing the availability of credit-building opportunities to underbanked individuals seeking low-dollar-value loans. The bill would require licensees to file an application with, and pay a fee to, the commissioner to participate in the program. The bill would authorize a licensee approved by the commissioner to participate in the program to impose specified alternative interest rates and charges, including an administrative fee and delinquency fees, on loans of less than \$2,500, subject to certain requirements.

This bill would also authorize licensees in the program to use the services of finders, defined as persons who bring licensees and prospective borrowers together for the purpose of negotiating loan contracts. The bill would require a written agreement meeting specified requirements in order for a licensee to use the services of a finder, would establish the services a finder is authorized and required to perform, and would require a finder to comply with the laws applicable to the licensee relative to information security. The bill would require a licensee to notify the commissioner within 10 days of entering into a contract with a finder, would require a licensee to pay an annual finder registration fee to the commissioner, and would require a licensee to submit an annual report to the commissioner on the licensee's relationship and business arrangements with a finder, as specified. The bill would *require the commissioner to approve the location where a finder may perform services, and would* authorize the commissioner to examine the operations of a licensee and a finder to ensure that the activities of the licensee and the finder are in compliance with these provisions. The bill would make a licensee that uses a finder responsible for a violation of these provisions by a finder or a finder's employee, *and would authorize the commissioner to impose administrative penalties against a finder for a violation of these provisions.* The bill would authorize the commissioner to terminate a written agreement between a licensee and a finder under specified circumstances and to exclude finders from the program upon a violation of these provisions.

This bill would require the commissioner to examine the performance of each licensee in the program at least once every 24 months, and would require the costs of examination to be paid by the licensee to the commissioner, as specified. The bill would require the commissioner to survey borrowers under the program ~~at unspecified cost to be paid for by the licensees based upon the volume of loans made, but not to~~

*exceed \$25,000 per licensee.* The bill would require the commissioner to report to specified legislative committees, by January 1, 2014, summarizing utilization of the Pilot Program for Affordable Credit-Building Opportunities, as specified.

Existing law prohibits a licensed finance lender or broker from using advertising copy after its use has been disapproved by the commissioner and the licensee is notified in writing of the disapproval. Existing law authorizes the commissioner to require a licensee to maintain a file of all advertising copy for a period of 90 days from the date of its use.

This bill would authorize the commissioner to direct any licensee to submit advertising copy for review by the commissioner prior to its use. The bill would authorize the commissioner to require a licensee to maintain a file of all advertising copy for a period of 2 years from the date of its use.

Because a willful violation of these provisions would be a crime, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 22165 of the Financial Code is amended  
2 to read:

3 22165. No advertising copy shall be used after its use has been  
4 disapproved by the commissioner and the licensee is notified in  
5 writing of the disapproval. The commissioner may by order direct  
6 any licensee to submit advertising copy to the commissioner for  
7 review prior to use.

8 SEC. 2. Section 22166 of the Financial Code is amended to  
9 read:

10 22166. The commissioner may require licensees to maintain  
11 a file of all advertising copy for a period of two years from the  
12 date of its use. The file shall be available to the commissioner upon  
13 request.

SEC. 3. Article 3.5 (commencing with Section 22348) is added to Chapter 2 of Division 9 of the Financial Code, to read:

Article 3.5. Pilot Program for Affordable Credit-Building Opportunities

22348. (a) The Pilot Program for Affordable Credit-Building Opportunities is hereby established and is intended to increase the availability of affordable credit-building opportunities to underbanked individuals seeking low-dollar-value loans and to help those individuals move into the financial mainstream.

(b) All references in this article to the program shall mean and refer to the Pilot Program for Affordable Credit-Building Opportunities.

22349. Any licensee wishing to participate in the program, who is in good standing with the commissioner and has no outstanding enforcement actions or deficiencies at the time of its application, shall file an application with the commissioner, in a manner prescribed by the commissioner, and shall pay a fee to the commissioner, in an amount calculated by the commissioner to cover its costs to administer this article.

22350. Nothing in this article shall exempt any licensee from any of the provisions of this division or Section 1632 of the Civil Code.

22351. No licensee may offer or make a loan, nor impose any charges or fees pursuant to Section 22352, nor use a finder pursuant to Section 22353, without prior approval from the commissioner to participate in the program.

22352. (a) Any loan made pursuant to this section shall comply with the following requirements:

(1) *The loan shall be unsecured.*

~~(1)~~

(2) Interest on the loan accrues on a simple-interest basis, through the application of a daily periodic rate to the actual unpaid principal balance each day.

~~(2)~~

(3) The licensee discloses the following to the consumer in writing at the time of application:

(A) The annual percentage rate, the periodic payment amount, and the total finance charge, calculated as required by Federal

1 Reserve Board Regulation Z, as to a loan of an amount and term  
2 substantially similar to the loan applied for by the consumer.

3 (B) That the consumer shall have the right to rescind the loan  
4 by notifying the licensee of the consumer's intent to rescind the  
5 loan and returning the principal advanced by the end of the business  
6 day following the date of the consummation of the loan.

7 ~~(3)~~

8 (4) The loan has a minimum principal amount upon origination  
9 of two hundred fifty dollars (\$250) and a term of not less than the  
10 following:

11 (A) Ninety days for loans whose principal balance upon  
12 origination is less than five hundred dollars (\$500).

13 (B) One hundred twenty days for loans whose principal balance  
14 upon origination is at least five hundred dollars (\$500), but is less  
15 than one thousand five hundred dollars (\$1,500).

16 (C) One hundred eighty days for loans whose principal balance  
17 upon origination is at least one thousand five hundred dollars  
18 (\$1,500).

19 ~~(4)~~

20 (5) The licensee complies with the requirements of any  
21 applicable state or federal law.

22 (b) As an alternative to the charges authorized by Section 22303  
23 or 22304, a licensee approved by the commissioner to participate  
24 in the program may contract for and receive charges for a loan  
25 made pursuant to this section at a rate not exceeding the sum of  
26 the following:

27 (1) Two and one-half percent per month on that part of the  
28 unpaid principal balance of the loan up to and including, but not  
29 in excess of, one thousand dollars (\$1,000).

30 (2) Two and one-sixth percent per month on that portion of the  
31 unpaid principal balance of the loan in excess of one thousand  
32 dollars (\$1,000).

33 (c) Notwithstanding subdivision (b), a licensee approved by the  
34 commissioner to participate in the program shall reduce the rate  
35 on each subsequent loan to the same borrower by a minimum of  
36 one-twelfth of 1 percent per month, if all of the following  
37 conditions are met:

38 (1) The subsequent loan is originated no more than 180 days  
39 after the prior loan is fully repaid.

(2) The borrower was never more than 15 days delinquent on the prior loan.

(3) The prior loan was outstanding for at least one-half of its original term prior to its repayment.

(d) As to any loan made under this section, a licensee approved by the commissioner to participate in the program may contract for and receive an administrative fee, which shall be fully earned immediately upon making the loan, in an amount not in excess of either 5 percent of the principal amount, exclusive of the administrative fee, or sixty-five dollars (\$65), whichever is less. A licensee shall not charge the same borrower more than one origination fee in any six-month period. An administrative fee shall not be contracted for or received in connection with the refinancing of a loan unless at least one year has elapsed since the receipt of a previous administrative fee paid by the borrower. Only one administrative fee shall be contracted for or received until the loan has been repaid in full. Section 22305 shall not apply to any loan made under this section.

(e) ~~(1)~~ Notwithstanding subdivision (a) of Section 22320.5, a licensee approved by the commissioner to participate in the program may contract for and receive a delinquency fee that is the lesser of 10 percent of the amount of the delinquent payment due or one of the following amounts:

(A)

(1) For a period in default of not less than seven days, an amount not in excess of ~~fifteen dollars (\$15)~~ *twelve dollars and fifty cents (\$12.50)*.

(B)

(2) For a period in default of not less than 14 days, an amount not in excess of ~~twenty dollars (\$20)~~ *seventeen dollars and fifty cents (\$17.50)*.

~~(2) Notwithstanding subdivision (a) of Section 22320.5 or paragraph (1) of this subdivision, no licensee under this article shall contract for, charge, or collect a late fee more than twice in any one-month period. For purposes of this paragraph, a one-month period shall mean 30 consecutive days.~~

(f) *If a licensee opts to impose a delinquency fee, it shall use the delinquency fee schedule described in subdivision (e), subject to all of the following:*

1     (1) *No more than one delinquency fee may be imposed per*  
2 *delinquent payment.*

3     (2) *No more than two delinquency fees may be imposed during*  
4 *any period of 30 consecutive days.*

5     (3) *No delinquency fee may be imposed on a borrower who is*  
6 *180 days or more past due if that fee would result in the sum of*  
7 *the borrower's remaining unpaid principal balance, accrued*  
8 *interest, and delinquency fees exceeding 180 percent of the original*  
9 *principal amount of the borrower's loan.*

10    (4) *The licensee shall attempt to collect a delinquent payment*  
11 *for a period of at least 30 days following the start of the*  
12 *delinquency before selling or assigning that unpaid debt to an*  
13 *independent party for collection.*

14    ~~(f)~~

15    (g) The following shall apply to a loan made by a licensee  
16 pursuant to this section:

17    (1) Prior to disbursement of loan proceeds, the licensee shall  
18 either (A) offer a credit education program or seminar to the  
19 borrower that has been previously reviewed and approved by the  
20 commissioner for use in complying with this section; or (B) invite  
21 the borrower to a credit education program or seminar offered by  
22 an independent third party that has been previously reviewed and  
23 approved by the commissioner for use in complying with this  
24 section. The borrower shall not be required to participate in either  
25 of these education programs or seminars.

26    (2) (A) The licensee shall ~~report~~ *apply to, and be accepted as*  
27 *a data furnisher for the purpose of reporting each borrower's*  
28 *payment performance to* ~~by~~, at least one of the ~~three major credit~~  
29 ~~bureaus~~ *national credit reporting agencies* in the United States.

30    (B) *The failure of a licensee to comply with subparagraph (A)*  
31 *and be accepted as a data furnisher shall make the licensee*  
32 *ineligible for the program.*

33    (3) (A) The licensee shall underwrite each loan to determine a  
34 borrower's ability and willingness to repay the loan pursuant to  
35 the loan terms, and shall not make a loan if it determines, through  
36 its underwriting, that the borrower's total monthly debt service  
37 payments, at the time of origination, including the loan for which  
38 the borrower is being considered, and across all outstanding forms  
39 of credit that can be independently verified by the licensee, exceed  
40 50 percent of the borrower's gross monthly income.

(B) (i) The licensee shall seek information and documentation pertaining to all of a borrower's outstanding debt obligations during the loan application and underwriting process, including loans that are self reported by the borrower but not available through independent verification. The licensee shall verify that information using a credit report from at least one of the three major credit bureaus or through other available electronic debt verification services that provide reliable evidence of a borrower's outstanding debt obligations.

(ii) *Notwithstanding the verification requirement in subparagraph (A), the licensee shall request from the borrower and include all information obtained from the borrower regarding outstanding deferred deposit transactions in the calculation of the borrower's outstanding debt obligations.*

~~(ii)~~

(iii) The licensee shall not be required to consider, for purposes of debt-to-income ratio evaluation, loans from friends or family.

(C) The licensee shall also verify the borrower's income that the licensee relies on to determine the borrower's debt-to-income ratio using information from either of the following:

(i) Electronic means or services that provide reliable evidence of the borrower's actual income.

(ii) Internal Revenue Service Form W-2, tax returns, payroll receipts, bank statements, or other third-party documents that provide reasonably reliable evidence of the borrower's actual income.

~~(g)~~

(h) (1) Notwithstanding Sections 22311 to 22315, inclusive, no person, in connection with, or incidental to, the making of any loan made pursuant to this article, may offer, sell, or require the borrower to contract for "credit insurance" as defined in paragraph (1) of subdivision (a) of Section 22314 ~~or insurance on tangible personal or real property of the type specified in Section 22313.~~

(2) Notwithstanding Sections 22311 to 22315, inclusive, no licensee, finder, or any other person that participates in the origination of a loan under this article shall refer a borrower to any other person for the purchase of "credit insurance" as defined in paragraph (1) of subdivision (a) of Section 22314 ~~or insurance on tangible personal or real property of the type specified in Section 22313.~~



1     (i) *If a licensee, finder, or other person that participates in the*  
2 *origination of a loan under this article offers or sells any insurance*  
3 *on tangible personal or real property of the type specified in*  
4 *Section 22313, that insurance shall be offered and sold separately*  
5 *from any loan. The cost of any such insurance shall not be financed*  
6 *by the loan made pursuant to this article, and no charges for that*  
7 *insurance may be added to or included in the amount of the loan*  
8 *or required to be paid as part of the borrower's payment on the*  
9 *loan.*

10    (j) *(1) No licensee shall require, as a condition of providing*  
11 *the loan, that the borrower waive any right, penalty, remedy,*  
12 *forum, or procedure provided for in any law applicable to the*  
13 *loan, including the right to file and pursue a civil action or file a*  
14 *complaint with or otherwise communicate with the commissioner*  
15 *or any court or other public entity, or that the borrower agree to*  
16 *resolve disputes in a jurisdiction outside of California or to the*  
17 *application of laws other than those of California, as provided by*  
18 *law. Any such waiver by a borrower must be knowing, voluntary,*  
19 *and in writing, and expressly not made a condition of doing*  
20 *business with the licensee. Any such waiver that is required as a*  
21 *condition of doing business with the licensee shall be presumed*  
22 *involuntary, unconscionable, against public policy, and*  
23 *unenforceable. The licensee has the burden of proving that a*  
24 *waiver of any rights, penalties, forums, or procedures was knowing,*  
25 *voluntary, and not made a condition of the contract with the*  
26 *borrower.*

27    (2) *No licensee shall refuse to do business with or discriminate*  
28 *against a borrower or applicant on the basis that the borrower or*  
29 *applicant refuses to waive any right, penalty, remedy, forum, or*  
30 *procedure, including the right to file and pursue a civil action or*  
31 *complaint with, or otherwise notify, the commissioner or any court*  
32 *or other public entity. The exercise of a person's right to refuse*  
33 *to waive any right, penalty, remedy, forum, or procedure, including*  
34 *a rejection of a contract requiring a waiver, shall not affect any*  
35 *otherwise legal terms of a contract or an agreement.*

36    (3) *This subdivision shall not apply to any agreement to waive*  
37 *any right, penalty, remedy, forum, or procedure, including any*  
38 *agreement to arbitrate a claim or dispute, after a claim or dispute*  
39 *has arisen. Nothing in this subdivision shall affect the*  
40 *enforceability or validity of any other provision of the contract.*

1     ~~(h)~~

2     (k) This section shall not apply to any loan of a bona fide  
3     principal amount of two thousand five hundred dollars (\$2,500)  
4     or more as determined in accordance with Section 22251. For  
5     purposes of this subdivision, “bona fide principal amount” shall  
6     be determined in accordance with Section 22251.

7     22353. (a) A licensee who is approved by the commissioner  
8     to participate in the program may use the services of one or more  
9     finders as provided in this article.

10    (b) For purposes of this article, a “finder” means ~~a person who~~  
11    *an entity that* brings a licensee and a prospective borrower together  
12    for the purpose of negotiating a loan contract.

13    22354. (a) A finder may perform one or more of the following  
14    services for a licensee:

15    (1) Distributing, circulating, using, or publishing preprinted  
16    brochures, flyers, factsheets, or other written materials relating to  
17    loans that the licensee may make or negotiate and that have been  
18    reviewed and approved in writing by the licensee prior to their  
19    being distributed, circulated, or published.

20    (2) Providing written factual information about loan terms,  
21    conditions, or qualification requirements to a prospective borrower  
22    that has been either prepared by the licensee or reviewed and  
23    approved in writing by the licensee. A finder may discuss that  
24    information with a prospective borrower in general terms, but may  
25    not provide counseling or advice to a prospective borrower.

26    (3) Notifying a prospective borrower of the information needed  
27    in order to complete a loan application without providing  
28    counseling or advice to a prospective borrower.

29    (4) Entering information provided by the prospective borrower  
30    on a preprinted or electronic application form or onto a  
31    preformatted computer database without providing counseling or  
32    advice to a prospective borrower.

33    (5) Assembling credit applications and other materials obtained  
34    in the course of a credit application transaction for submission to  
35    the licensee.

36    (6) Contacting the licensee to determine the status of a loan  
37    application.

38    (7) Communicating a response that is returned by the licensee’s  
39    automated underwriting system to a borrower or a prospective  
40    borrower.

1 (8) Obtaining a borrower's signature on documents prepared  
2 by the licensee and delivering final copies of the documents to the  
3 borrower.

4 (b) A finder shall not engage in any of the following activities:

5 (1) Providing counseling or advice to a borrower or prospective  
6 borrower.

7 (2) Providing loan-related marketing material that has not  
8 previously been approved by the licensee to a borrower or a  
9 prospective borrower.

10 (3) Interpreting or explaining the relevance, significance, or  
11 effect of any of the marketing materials or loan documents the  
12 finder provides to a borrower or prospective borrower.

13 (c) Any person who performs one or more of the following  
14 activities is a broker within the meaning of Section 22004 rather  
15 than a finder within the meaning of this section:

16 (1) Negotiating the price, length, or any other loan term between  
17 a licensee and a prospective borrower.

18 (2) Advising either a prospective borrower or a licensee as to  
19 any loan term.

20 (3) Offering information pertaining to a single prospective  
21 borrower to more than one licensee, except that, if a licensee has  
22 declined to offer a loan to a prospective borrower and has so  
23 notified that prospective borrower in writing, the person may then  
24 offer information pertaining to a single prospective borrower to  
25 another licensee with which it has a finder's agreement.

26 (d) A finder shall comply with all laws applicable to the licensee  
27 that impose requirements upon the licensee for safeguards for  
28 information security.

29 22355. (a) At the time the finder receives or processes an  
30 application for a pilot program loan, the finder shall provide the  
31 following statement to the applicant, on behalf of the licensee, in  
32 no smaller than 10-point type, and shall ask the applicant to  
33 acknowledge receipt of the statement in writing:

34  
35 "Your loan application has been referred to us by [Name of  
36 Finder]. We may pay a fee to [Name of Finder] for the successful  
37 referral of your loan application. IF YOU ARE APPROVED FOR  
38 THE LOAN, [NAME OF LICENSEE] WILL BECOME YOUR  
39 LENDER, AND YOU WILL BE BUILDING A RELATIONSHIP  
40 WITH [NAME OF LICENSEE]. If you wish to report a complaint

1 about [Name of Finder] or [Name of Licensee] regarding this loan  
2 transaction, you may contact the California Department of  
3 Corporations at 1-866-ASK-CORP (1-866-275-2677), or file your  
4 complaint online at [www.corp.ca.gov](http://www.corp.ca.gov).”

5  
6 (b) If the loan is consummated, the licensee shall mail or give  
7 to the borrower a copy of the disclosure notice within two weeks  
8 of the date of the loan consummation.

9 22356. (a) A finder may be compensated by the licensee  
10 pursuant to the written agreement between the licensee and the  
11 finder, as described in Section 22357.

12 (b) The compensation of a finder by a licensee shall be subject  
13 to ~~both~~ all of the following requirements:

14 (1) No fee shall be paid to a finder in connection with a loan  
15 application until and unless that loan is consummated.

16 (2) No fee shall be paid to a finder based upon the principal  
17 amount of the loan.

18 (3) *No fee paid to a finder shall exceed the following amounts:*

19 (A) *Forty-five dollars (\$45) per loan for the first 40 loans*  
20 *originated each month at the finder's location.*

21 (B) *Forty dollars (\$40) per loan for any subsequent loans*  
22 *originated during that month at the finder's location.*

23 (4) *The finder's location for services under this article is*  
24 *authorized by the commissioner.*

25 (c) No licensee shall, directly or indirectly, pass on to a borrower  
26 any fee, or any portion of any fee, that the licensee pays to a finder  
27 in connection with that borrower's loan or loan application.

28 22357. A licensee that utilizes the service of a finder shall do  
29 all of the following:

30 (a) Notify the commissioner within 10 days of entering into a  
31 contract with a finder, on a form acceptable to the commissioner,  
32 regarding all of the following:

33 (1) The name and business address of the finder.

34 (2) The name and contact information for an employee of the  
35 finder who is knowledgeable about, and has the authority to  
36 execute, the contract governing the business relationship between  
37 the finder and the licensee.

38 (3) The name and contract information for one or more  
39 employees of the finder who is or are responsible for the activities  
40 of the finder at each of its branch locations.

1 (4) A list of the activities the finder shall perform on behalf of  
2 the licensee.

3 (5) Any other information requested by the commissioner.

4 (b) Pay an annual finder registration fee to the commissioner  
5 in an amount to be established by the commissioner by regulation  
6 for each finder utilized by the licensee.

7 (c) Submit an annual report to the commissioner including any  
8 information pertaining to each finder and the licensee's relationship  
9 and business arrangements with each finder as the commissioner  
10 may by regulation require.

11 22358. All arrangements between a licensee and a finder shall  
12 be set forth in a written agreement between the parties. The  
13 agreement shall contain a provision establishing that the finder  
14 agrees to comply with all regulations that are established by the  
15 commissioner pursuant to this article regarding the activities of  
16 finders and that the commissioner shall have access to all of the  
17 finder's books and records that pertain to the finder's operations  
18 under the agreement with the licensee.

19 22359. (a) The commissioner *shall authorize the location*  
20 *where the finder may perform services under this article, and* may  
21 examine the operations of each licensee and each finder to ensure  
22 that the activities of the licensee and the finder are in compliance  
23 with this article. The costs of the commissioner's examination of  
24 each finder shall be attributed to the commissioner's examination  
25 of the licensee. Any violation of this article by a finder or a finder's  
26 employee shall be attributed to the finance lender with whom it  
27 has entered into an agreement for purposes of determining the  
28 licensee's compliance with this division.

29 (b) Upon a determination that a finder has acted in violation of  
30 this article, or any implementing regulation, the commissioner  
31 shall have the authority to terminate a written agreement between  
32 a finder and a licensee, and, if the commissioner deems that action  
33 in the public interest, to bar the use of that finder by all licensees  
34 accepted to participate in the pilot program.

35 (c) *In addition to any other penalty allowed by law, the*  
36 *commissioner may impose an administrative penalty up to two*  
37 *thousand five hundred dollars (\$2,500) for violations committed*  
38 *by a finder.*

39 22360. Notwithstanding any other provision of law, the  
40 commissioner shall examine each licensee that is accepted into

1 the program at least once every 24 months. The cost of each  
2 examination of a licensee shall be paid to the commissioner by the  
3 licensee examined, and the commissioner may maintain an action  
4 for the recovery of the cost in any court of competent jurisdiction.  
5 In determining the cost of the examination, the commissioner may  
6 use the estimated average hourly cost for all persons performing  
7 examinations of licensees or other persons subject to this division  
8 for the fiscal year.

9 22361. (a) On or before January 1, 2014, the commissioner  
10 shall submit a report to the Senate Committee on Banking, Finance  
11 and Insurance, the Assembly Committee on Banking and Finance,  
12 and the Senate and Assembly Committees on Judiciary, in  
13 compliance with Section 9795 of the Government Code,  
14 summarizing utilization of the Pilot Program for Affordable  
15 Credit-Building Opportunities and including recommendations  
16 regarding whether the program should be continued after January  
17 1, 2015.

18 (b) The information disclosed to the commissioner for the  
19 commissioner's use in preparing the report described in this section  
20 is exempted from any requirement of public disclosure by  
21 paragraph (2) of subdivision (d) of Section 6254 of the Government  
22 Code.

23 (c) The report required pursuant to this section shall include,  
24 but not be limited to, the following:

25 (1) The number of finance lender licensees who applied to  
26 participate in the program.

27 (2) The number of finance lender licensees accepted to  
28 participate in the program.

29 (3) The number of program loan applications received by lenders  
30 participating in the program, the number of loans made pursuant  
31 to the program, *the total amount loaned*, and the distribution of  
32 interest rates and principal amounts upon origination among those  
33 loans.

34 (4) The number of borrowers who obtained more than one  
35 program loan.

36 (5) Of the number of borrowers who obtained more than one  
37 program loan, the percentage of those borrowers whose credit  
38 scores increased between successive loans, based on information  
39 from at least one major credit bureau, and the average size of the  
40 increase.

1 (6) The *income distribution of borrowers, including the* number  
2 of borrowers who obtained at least one program loan and who  
3 resided in a low-to-moderate-income census tract at the time of  
4 their loan application.

5 (7) The number of borrowers who obtained loans for the  
6 following purposes, based on borrower responses at the time of  
7 their loan applications indicating the primary purpose for which  
8 the loan was obtained:

9 (A) Medical.

10 (B) Other emergency.

11 (C) Vehicle repair.

12 (D) Vehicle purchase.

13 (E) To pay bills.

14 (F) To consolidate debt.

15 (G) To build or repair credit history.

16 (H) To finance a purchase of goods or services other than a  
17 vehicle.

18 (I) Other.

19 (8) The number of borrowers who have a bank account, the  
20 number of borrowers who have a bank account and use  
21 check-cashing services, and the number of borrowers who do not  
22 have a bank account.

23 (9) The number of finders used by all licensees, *the number and*  
24 *percentage of program loans, by loan amount, that originated with*  
25 *finders, and the amount of finder's fees paid.*

26 (10) *The number and percentage of program loans on which*  
27 *late fees were assessed, the frequency of late fees per loan, the*  
28 *amount of late fees collected in total and as a percentage of the*  
29 *total principal amount loaned, and whether the amount or*  
30 *frequency of late fees is correlated with the delinquency relative*  
31 *to the size of the loan or borrower income.*

32 (11) *The number and percentage of program loans, by loan*  
33 *amount, on which the borrower defaults, and the number of those*  
34 *loans sold or assigned to an independent collection agency.*

35 ~~(10)~~

36 (12) The number of times the commissioner found that a finder  
37 had violated this article.

38 ~~(11)~~

39 (13) The number of times that the commissioner terminated a  
40 written agreement between a finder and a licensee.

1     ~~(12)~~  
2     (14) The number of times that the commissioner barred the use  
3 of a finder by all licensees.

4     ~~(13)~~  
5     (15) Recommendations for improving the program.

6     ~~(14)~~  
7     (16) Recommendations regarding whether the program should  
8 be continued after January 1, 2015.

9     (d) The commissioner shall conduct a *random* sample survey  
10 of borrowers who have participated in the program to ~~better~~  
11 ~~understand the borrower experience. No licensee shall be~~  
12 ~~responsible for more than \_\_\_\_\_ dollars (\$\_\_\_\_) for the costs of~~  
13 ~~that survey.~~ *obtain information regarding the borrower experience*  
14 *and licensees' compliance with this article. The results of this*  
15 *survey shall be included in the report required by this section. The*  
16 *cost of the survey shall be borne by each licensee in proportion to*  
17 *that licensee's share of the volume of loans under this article. No*  
18 *licensee shall be responsible for more than twenty-five thousand*  
19 *dollars (\$25,000) for the costs of that survey.*

20     22362. This article shall remain in effect only until January 1,  
21 2015, and as of that date is repealed, unless a later enacted statute,  
22 that is enacted before January 1, 2015, deletes or extends that date.

23     SEC. 4. Notwithstanding the repeal of the Pilot Program for  
24 ~~affordable~~ *Affordable* Credit-Building Opportunities under this  
25 act, a loan agreement entered into pursuant to the pilot program  
26 shall continue to govern the rights, remedies, and obligations of  
27 the lender and borrower under that agreement.

28     SEC. 5. No reimbursement is required by this act pursuant to  
29 Section 6 of Article XIII B of the California Constitution because  
30 the only costs that may be incurred by a local agency or school  
31 district will be incurred because this act creates a new crime or  
32 infraction, eliminates a crime or infraction, or changes the penalty  
33 for a crime or infraction, within the meaning of Section 17556 of  
34 the Government Code, or changes the definition of a crime within  
35 the meaning of Section 6 of Article XIII B of the California  
36 Constitution.